



San Diego City Attorney MICHAEL J. AGUIRRE

NEWS RELEASE

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Contact: Maria Velasquez, Communications Director (619) 235-5725 mvelasquez@saniego.gov

CITY ATTORNEY EXPECTS TO FACE HOSTILE UNION AUDIENCE AT PENSION BOARD MEETING OVER HIS SUPPORT TO REDUCE A LUCRATIVE PENSION BENEFIT THAT IS BURDENING TAXPAYERS

San Diego, CA—When you begin to plan for your child's college education, make sure you set aside a portion to help pay for the millions of dollars in unearned and under-priced retirement years purchased by City employees with the approval of the San Diego City Council. That is the unvarnished message that City Attorney Michael Aguirre will deliver on behalf of taxpayers at tomorrow's special meeting organized by the San Diego City Employees' Retirement System (SDCERS) Board of Trustees.

The morning meeting is being held at the San Diego Convention Center due to the expected large turnout of Retirement System participants.

Aguirre will no doubt face a hostile audience of city workers and retirees whose union leaders claim that the benefits were bargained for in good faith regardless of the financial burden they place on taxpayers.

"This is a taxpayer issue," said City Attorney Michael Aguirre. "Tomorrow's meeting should have been scheduled by the elected Mayor and City Council to address how they intend to grapple with runaway employee benefits that have contributed to a \$1 billion pension deficit and threaten to overwhelm our City's financial future."

Last month, SDCERS announced that 15% of the City's \$1 billion pension liability, or \$146 million, is a direct result of the Pension Service Credit (PCS) program. The program allowed City employees to purchase up to five years of retirement credits for years not actually worked at a grossly discounted price.

Immediately, the Mayor asked the City Attorney to provide him with unilateral options that the City could take to rescind the \$146 million in pension liability resulting from the "Purchase of Service Credit" (PSC) program which was supposed to be cost-neutral to the City. To date, the Mayor's Office has been silent on the City Attorney's recommendations.

(MORE)

Since assuming office in December 2004, the City Attorney's Office has issued several memoranda and reports (January 7, 2005; February 11, 2005; February 22, 2005; April 27, 2005; January 4, 2007; July 10, 2007; July 30, 2007; August 10, 2007; and September 7, 2007) urging that the PCS program be rescinded.

The City Attorney's Office also brought the discounted PSC program to the attention of the public and City Council through its release of Interim Reports No's. 2, 3, & 12. Interim Report No. 12, "Report on Scheme to Price San Diego City Employees' Retirement System (SDCERS) Pension Service Credits Below Cost in Violation of California Law" was released on September 18, 2006 and outlined how purchase of service credits were priced below their actual cost. The Report concluded:

- The San Diego City Employees' Retirement System violated their fiduciary duties to the pension system by knowingly and willingly pricing the years of service credits below their cost to the City, thereby placing the financial security of the system in jeopardy; and
- It is the City Attorney's considered judgment that legal action needs to be taken to correct the misappropriation of public funds used to subsidize the illegal pricing scheme for the Pension of Service Credit program.

The analysis does not include the cost for retiree health care which has been pegged at over \$1 billion and for which a trust does not exist.

To view the City Attorney's Interim Reports, visit www.sandiegocityattorney.org, click Interim Reports.
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